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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 SECURITIES AND EXCHANGE
12 COMMISSION,

13 Plaintiff,

14 v.

15 LOUIS V. SCHOOLER and FIRST
16 FINANCIAL PLANNING
17 CORPORATION d/b/a WESTERN
18 FINANCIAL PLANNING
19 CORPORATION,

20 Defendants.
21

Case No.: 3:12-cv-2164-GPC-JMA

**ORDER GRANTING MOTION FOR
AUTHORITY TO MAKE SECOND
INTERIM DISTRIBUTION TO
HOLDERS OF ALLOWED CLAIMS**

[ECF No. 1714]

22 In March 2018, the Receiver previously sought and was granted authority to
23 distribute a total of \$13 million to the holders of allowed claims. ECF Nos. 1594, 1610.
24 Since then, the Receiver has been able to sell further properties pursuant to the Modified
25 Orderly Sale Process and has accumulated approximately \$8.1 million in cash in the
26 receivership estate.

27 The Receiver now seeks authority to make a second interim distribution totaling \$6
28 million to holders of allowed claims. ECF No. 1714. The motion has not been opposed.

1 On April 22, 2019, the SEC filed a non-opposition to the motion, stating it supported the
2 Receiver's motion because the "payment of an interim distribution to injured investors of
3 \$6 million with a holdback of \$2.1 million to cover operating expenses, administrative
4 expenses, and a reasonable contingency reserve appears to be both reasonable in light of
5 the current posture of this matter and in the best interest of investors." ECF No. 1716.
6 For the reasons set forth below, the Court **GRANTS** the motion for authority to make a
7 second interim distribution to holders of allowed claims.

8 This Court entered an initial final judgment against Defendant Louis Schooler on
9 February 23, 2016 and a revised final judgment against Defendant Louis Schooler on
10 June 4, 2019. ECF Nos. 1190 and 1724. Three months after the initial final judgment,
11 the Court approved the Distribution Plan proposed by the Receiver. ECF No. 1304. That
12 plan involves a "one-pot approach," which includes determining investor claims "by the
13 total payment made by each investor to the Receivership Entities, less all payments
14 received by each investor from the Receivership Entities." *Id.* at 31 (approving plan as
15 discussed at Ex. E of ECF No. 1181-1). As that proposed plan stated, "[a]fter all
16 Administrative Claims have been paid in full, all Claimants shall receive Cash in an
17 amount equal to such Claimant's Pro Rata Share of total Cash to be distributed to all
18 Allowed Claims." ECF No. 1181-1, Ex. E at 3. Three months after that, the Court
19 approved the Modified Orderly Sale Process by which the Receiver would sell properties
20 owned by the receivership estate. ECF No. 1359. Since then, the Receiver has calculated
21 the claim amounts of each investor and has sold several properties. The Receiver has
22 been able to sell 24 properties so far, raising \$22,418,073 in net sale proceeds. ECF
23 1714-1 at 3. In June 2018, pursuant to authorization from the Court, the Receiver issued
24 distribution checks totaling \$13 million to the holders of allowed claims. *Id.* The vast
25 majority of those distribution checks (a total of \$12,692,351) have been cashed by
26 investors. ECF 1714-2 at 2.

27 Now, the Receiver proposes to distribute a total of \$6 million at this time, "which
28 is the vast majority of cash in the receivership estate." ECF No. 1714-1 at 3. According

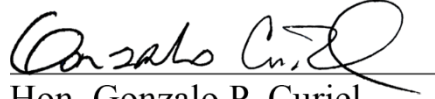
1 to the Receiver, the remaining approximately \$2.1 million will be held in reserve to cover
2 operating expenses, administrative expenses, and “a reasonable contingency reserve.” *Id.*
3 Moreover, the Receiver is continuing to generate sale proceeds from property sales and
4 “is hopeful that the full reserve amount will not be necessary to cover” expenses. *Id.* at 4.
5 Nonetheless, the Receiver believes that maintaining a reasonable contingency reserve at
6 this time is prudent in order to respond to “unanticipated expenses.” *Id.* According to the
7 Receiver, it will use an outside vendor to print and mail the approximately 3,307 checks
8 to investors with allowed claims, which will be done 45 days after the entry of this order.
9 *Id.* As discussed in the Distribution Plan, ECF No. 1181-1, Ex. E, the Receiver will
10 conduct a reasonable investigation into checks that have not been cashed 90 days after
11 they were issued; if contact cannot be made with the claimant after further inquiry, the
12 claimant’s amount will be “automatically and permanently extinguished and the uncashed
13 distribution amount will go back into the reserve for future distribution.” *Id.* As a result
14 of this procedure, the Receiver states that he has “reminded investors throughout the case
15 of the importance of informing the Receiver of any change to their contact information.”
16 *Id.* The Receiver argues that the other investors should not have to bear the expense of an
17 extensive search to find a non-responsive investor claimant. *Id.*

18 The “primary purpose of equity receiverships is to promote orderly and efficient
19 administration of the estate by the district court for the benefit of creditors.” *Secs. &*
20 *Exch. Comm’n v. Hardy*, 803 F.2d 1034, 1038 (9th Cir. 1986). The Court possesses
21 broad “power to supervise an equity receivership and to determine the appropriate action
22 to be taken in the administration of the receivership.” *Secs. & Exch. Comm’n v. Capital*
23 *Consultants, LLC*, 397 F.3d 733, 750 (9th Cir. 2005). In light of these broad powers, and
24 pursuant to the procedures approved by the Court in the previous orders mentioned
25 above, it appears that the Receiver’s request for authority to make a second interim
26 distribution to the investors is appropriate. As a result, the Court **AUTHORIZES** the
27 Receiver to distribute a total of \$6 million to investors with allowed claims on a *pro rata*
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1 basis pursuant to the Distribution Plan approved by the Court, with the remaining cash in
2 the Receivership to be held in reserve pending further orders of this Court.

3 **IT IS SO ORDERED.**

4 Dated: June 14, 2019

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6 Hon. Gonzalo P. Curiel
7 United States District Judge
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